

ABSTRACT OF THE DISCLOSURE

An apparatus and method are provided for determining an optimum promotion plan for merchandising of products for sale. The apparatus has a scenario/results processor, a demand engine, an activity based cost engine, and a promotion optimization engine. The scenario/results processor enables a user to prescribe an optimization scenario, and presents the optimum promotion plan to the user, where the optimum promotion plan is determined by execution of the optimization scenario. The demand engine models relationships between potential prices of the products and market demand for the products, where the potential prices correspond to potential promotion events and potential supplier offers. The activity based cost engine estimates demand chain costs for the products based upon the market demand. The promotion optimization engine employs the market demand and the demand chain costs to determine the optimum promotion plan, where the optimum promotion plan maximizes a merchandising performance figure of merit according to the optimization scenario, and where the optimum promotion plan comprises a subset of the promotion events and potential supplier offers.